

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: North Attleboro Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 8, 2017

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 each fiscal year. The schedule is effective in FY18 (since the amount under the prior schedule was maintained in FY18) and is acceptable under Chapter 32.

Our main concern with the proposed schedule is that the FY19 and FY20 amounts (as well as subsequent years) have decreased from the levels of the 2015 schedule (by approximately \$80,000 and \$112,000, respectively). In fact, the FY19 amount increases only 1.3% from the FY18 figure. Our preference when we create funding schedules is that the level of the prior schedule be maintained.

The revised schedule reflects a 7.50% investment return assumption (a reduction from the 8.0% assumption used in the 2015 valuation upon which the prior funding schedule was based). This represents a significant reduction and is in line with the assumption we have used for local systems in 2017.

The valuation uses a salary increase assumption of 3.0% compared to 4.0% in the 2015 actuarial valuation. Only three other systems use an assumption as low as 3.0%. We expect that over the longer term, this assumption will need to be increased (and/or the investment return assumption further decreased) which will increase plan liabilities.

As part of this valuation, the Board adopted a fully generational mortality assumption based on a recent experience study performed by your actuary. Although we have recommended adopting a fully generational mortality assumption for several years, the assumption we use for other local systems is based on our analysis of State retirees and reflects longer life expectancy than the assumption you have adopted. The valuation also reflects the adoption of other demographic assumptions based on the experience study. We have not performed a recent experience analysis for local systems to compare our findings with the results of your actuary's study, although we plan to complete a study of retiree mortality for local systems over the next year.



November 7, 2017

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The revised demographic assumptions are significantly less conservative than the current standard PERAC assumption set, which we continue to believe is reasonable. We also note the employer normal cost has decreased about 30% from the level of the 2015 valuation despite an increase due to the change in the investment return assumption.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

JEC/jrl

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Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Liability	Funded Ratio %**
2018	\$2,002,939	\$1,147,136	\$2,653,499	\$3,800,635	16.6	\$20,805,730	83.4
2019	\$2,113,136	\$1,177,954	\$2,672,246	\$3,850,200	16.1	\$19,668,607	85.8
2020	\$2,229,194	\$1,209,222	\$2,752,413	\$3,961,635	15.8	\$18,373,109	87.9
2021	\$2,351,419	\$1,240,920	\$2,834,986	\$4,075,906	15.6	\$16,897,329	89.8
2022	\$2,480,129	\$1,273,021	\$2,920,035	\$4,193,056	15.3	\$15,225,253	91.7
2023	\$2,615,662	\$1,305,499	\$3,007,636	\$4,313,135	15.1	\$13,339,589	93.3
2024	\$2,758,371	\$1,765,812	\$3,097,866	\$4,863,678	16.3	\$11,221,675	94.8
2025	\$2,908,627	\$1,371,455	\$3,190,802	\$4,562,257	14.6	\$8,851,365	96.3
2026	\$3,066,820	\$1,404,860	\$3,286,526	\$4,691,386	14.4	\$6,206,924	97.6
2027	\$3,233,360	\$1,438,495	\$3,385,121	\$4,823,616	14.2	\$3,264,901	98.8
2028	\$3,408,679	\$1,472,312	\$0	\$1,472,312	4.1	(\$0)	100.0
2029	\$3,593,229	\$1,506,259	\$0	\$1,506,259	4.1	(\$0)	100.0
2030	\$3,787,486	\$1,540,280	\$0	\$1,540,280	4.0	(\$0)	100.0
2031	\$3,991,949	\$1,574,313	\$0	\$1,574,313	3.9	(\$0)	100.0
2032	\$4,207,145	\$1,608,290	\$0	\$1,608,290	3.8	(\$0)	100.0
2033	\$4,433,625	\$1,642,136	\$0	\$1,642,136	3.7	(\$0)	100.0
2034	\$4,671,968	\$1,675,772	\$0	\$1,675,772	3.6	(\$0)	100.0
2035	\$4,922,784	\$1,709,110	\$0	\$1,709,110	3.5	(\$0)	100.0
2036	\$5,186,713	\$1,742,055	\$0	\$1,742,055	3.4	(\$0)	100.0
2037	\$5,464,427	\$1,774,504	\$0	\$1,774,504	3.4	(\$0)	100.0
2038	\$5,756,632	\$1,806,346	\$0	\$1,806,346	3.3	(\$0)	100.0
2039	\$6,064,070	\$1,837,461	\$0	\$1,837,461	3.2	(\$0)	100.0
2040	\$6,336,953	\$1,920,146	\$0	\$1,920,146	3.2	(\$0)	100.0
2041	\$6,622,116	\$2,006,553	\$0	\$2,006,553	3.2	(\$0)	100.0
2042	\$6,920,111	\$2,096,848	\$0	\$2,096,848	3.2	(\$0)	100.0
2043	\$7,231,516	\$2,191,206	\$0	\$2,191,206	3.2	(\$0)	100.0
2044	\$7,556,934	\$2,289,810	\$0	\$2,289,810	3.2	(\$0)	100.0
2045	\$7,896,996	\$2,392,852	\$0	\$2,392,852	3.2	(\$0)	100.0
2046	\$8,252,361	\$2,500,530	\$0	\$2,500,530	3.2	(\$0)	100.0
2047	\$8,623,717	\$2,613,054	\$0	\$2,613,054	3.2	(\$0)	100.0
2048	\$9,011,785	\$2,730,641	\$0	\$2,730,641	3.2	(\$0)	100.0
2049	\$9,417,315	\$2,853,520	\$0	\$2,853,520	3.2	(\$0)	100.0

** Beginning of Fiscal Year